



COMMUNITY RESOURCE CENTER

Empowering nonprofits across Colorado to identify and address community needs through connections, convenings, and capacity building.

Starting Smart:

Nonprofit Building Blocks for Start Up Essentials and Best Practice

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Nonprofit Start Up for Success Road Map

- 1. Define the problem:** What problem have you identified? Who else is working to address this issue, and how are they meeting the need? What gaps still exist?
- 2. Research and development:** How will you work to solve the problem without duplicating efforts? It is important to evaluate if forming a new nonprofit is the best path—sometimes collaboration or another structure is smarter. (See *Nonprofit Start Up Checklist and Alternatives*.)
- 3. Start with the “Reality Check” + readiness:** Before you file anything, pause to assess whether you are truly ready for the commitment. Starting a nonprofit requires time, leadership, flexibility, and resources—and many new organizations don’t survive long-term.
- 4. Clarify the purpose and mission:** Define your purpose rooted in the problem you are trying to solve, who you serve, and what you’ll do. Draft a clear mission statement that reflects who you are/what you do/why you exist and for whom. Identify early program ideas and how you will know they are working.
- 5. Build the leadership team + board foundation:** Starting a nonprofit is a team effort, and legally it must include more than one person. (See *Forming a Nonprofit Board of Directors*.)
- 6. Create your early strategy + plan:** This is where your startup moves from “idea” to an actionable plan. Describe what success looks like in three years and how you will get there. (See *Colorado Nonprofit Association’s Principles & Practices for Nonprofit Excellence in Colorado*.)
- 7. Build the financial and operating foundation:** A nonprofit must be run like a small business—with added legal and stewardship responsibilities. Identify startup funding sources and a first-year sustainability plan. Set up basic accounting/bookkeeping support. Decide who runs day-to-day operations and what staffing and volunteer support is required.
- 8. Complete the legal formation steps (state + IRS):** This is the formal incorporation and tax-exemption phase. (See *Nonprofit Organization 501c3 Tax Exempt Process & Helpful Nonprofit Sector Resources*.)
- 9. Launch thoughtfully:** Start small and strengthen systems and leadership as you grow. Planning is an ongoing process—you may discover you need to revisit parts you thought were finalized.



Nonprofit Start Up Checklist

CRC strongly values the opportunity to help emerging nonprofits start off on a path to long-term sustainability. If you can answer these questions, you may be ready to be a 501(c)(3) organization.

- Do you have a clear and well-defined mission?** Is there an understandable program that falls within that mission? Do you know specifically what you are trying to accomplish? How will you know when you have achieved success?
- Do you have a constituency that embraces your mission and program?** Are there other people beside you who believe strongly in the organization that you propose to form? Is this constituency broad-based, reflecting the community you intend to serve?
- Do you know of other organizations that provide similar services in your community?** Who is your charitable “competition”? What makes your services unique? How will you partner with them, or how will you distinguish yourself to funders?
- Is starting a new 501(c)(3) the best way to cause the change you wish to see?** Many times, an individual decides to start a nonprofit because they are passionate about the mission. But a greater impact can sometimes be made by collaborating and getting involved with existing nonprofits that are already addressing that mission area. Increased duplication among nonprofits leads to a lower impact on the issue — check out your other options first! (See *Alternatives to Starting a Nonprofit*.)
- Have you identified a group of individuals to serve as a founding board of directors?** Nonprofit best practices indicate that founding Board members should not be related to you or each other and should not have strong financial ties with you or each other. Is this group diverse and reflective of the community in which you work? (See *Forming a Nonprofit Board of Directors*.)
- Do you know how much it will cost to run a nonprofit, and where your funding will come from?** Are there individuals who will donate to your organization? If you do not receive any foundation or government funding in the first two or three years, will you be able to make it? Based on your research, what foundations, corporations or other institutions will support your work with cash or in-kind donations?
- Do you know what your legal obligations will be as a 501(c)(3) nonprofit?** You must file with your local government, the state, and the Internal Revenue Service. What restrictions will you face around lobbying? It can take time to receive your 501(c)(3) status, so many nonprofits seek a fiscal sponsor as they are starting out to support them in applying for grants initially. Learn more about [if fiscal sponsorship is right for you](#). (See *Nonprofit Organization 501(c)(3) Tax Exempt Process*.)



Alternatives to Starting a Nonprofit While Still Pursuing Your Mission

Starting a nonprofit is not the only way to make a meaningful impact. Explore practical alternatives that allow you to pursue your mission without creating a new organization, from partnering with existing nonprofits and using fiscal sponsorship to exploring mission-driven business models or testing ideas informally. These options can help you reduce risk, avoid duplicating efforts, and focus your energy where it can make the greatest difference.

- **Partner with an existing nonprofit** already serving the same community or issue instead of duplicating efforts.
- **Work through an existing organization as a program/project** to bring your idea under their umbrella rather than incorporating. Consider fiscal sponsorship as an option.
- **Raise money as a third party** to support an existing cause, event, or nonprofit instead of launching a new entity.
- **Consider other for-profit options that are mission-driven.** A B Corp is a for-profit corporation that is driven by both mission and profit. A social enterprise is a revenue-generating business that prioritizes social or environmental goals over profit maximization.
- **Create a charitable component connected to a for-profit** if your goal is to provide subsidized services/products to people who otherwise couldn't afford them.
- **Convert an existing for-profit into a nonprofit** when the mission already fits charitable purposes and nonprofit structure makes more sense long-term.
- **Join or strengthen an existing effort** as a volunteer leader, committee member, board member, staff member, or advocate rather than starting something new.
- **Build an informal community initiative first** to test the need and clarify the model before committing to incorporation since starting a nonprofit is a major time commitment, and many don't survive long-term.



Nonprofit Boards: What to Know Before You Start

Why nonprofit boards matter: All nonprofits are governed by a board of directors, and the board holds the legal responsibility for the organization's activities. A nonprofit board isn't just a group of supporters—it is the organization's governing and accountability body.

Build the right board early and keep it manageable: Before incorporating, one of the most important steps you can take is building a strong team around you. Think about skills, backgrounds, and lived experience that will help advance this early stage of development. Avoid boards that are too large in the earliest stage; at least 3 board members is a requirement, but 5-7 is a good size for start-ups.

The board's core responsibilities:

- Legal and fiduciary oversight: Board members are responsible for protecting the organization's assets and ensuring the nonprofit meets legal requirements and stays within its mission and tax-exempt purpose.
- Fundraising: Board members should help ensure the organization is adequately funded. This may include helping raise money, soliciting donations, and making a personally meaningful gift.
- Organizational oversight: Boards must ensure the organization is running well—including monitoring finances and operations—and the board has the authority to hire and fire the chief executive.
- Stakeholder representation: Board members may bring perspective from the communities served, helping the organization remain grounded in the needs, trends, and views of its constituents.

Guiding questions for building a board:

- Are prospective board members prepared to meet the responsibilities outlined above?
- Does your board reflect diversity of skills, lived experience, and stakeholder perspectives?
- Do board members bring capacity to help with planning and decision-making, not just enthusiasm?
- Can your board commit to being active, informed, and engaged?
- Are board members willing to participate in fundraising in real ways (asks, introductions, gifts, strategy)?
- Who will lead the day-to-day work—and does the board understand its role in oversight, hiring, and accountability?

Key takeaway: A strong board helps a nonprofit stay accountable, legally compliant, mission-aligned, and sustainable—especially during early start-up when resources are limited, and decisions have a lasting impact.



Nonprofit Organization 501(c)(3) Tax Exempt Process

Becoming a 501(c)(3) nonprofit involves a series of legal and administrative steps at both the state and federal levels. Below is an overview of the tax-exempt process in Colorado, to guide you through incorporation, obtaining an EIN, and applying for IRS recognition, while considering timelines, costs, and when to seek additional support.

- Determine if you are ready to become a 501(c)(3) nonprofit organization. (*See Nonprofit Start Up Checklist.*)
- Incorporate your nonprofit organization in the State of Colorado.
 - Develop Nonprofit Articles of Incorporation for your organization.
 - Register your nonprofit in the State of Colorado at the [Secretary of State](#) website.
- Apply for your Organization's Employer Identification Number (EIN) with the Internal Revenue Service.
 - You can obtain an EIN online through the [IRS website](#) for free after completing a series of prompted questions.
- Determine whether you must file IRS Form 1023 (Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code) *OR* if you are eligible to file IRS Form 1023-EZ (the streamlined application).
- Obtain and complete a paper version of IRS Form 1023 *OR* complete IRS Form 1023 online (using the interactive guide) *OR*, if eligible, complete IRS Form 1023-EZ online. Complete your Articles of Incorporation, Bylaws and all necessary attachments.
- File the Form 1023, Articles of Incorporation, Bylaws and necessary attachments with the Internal Revenue Service.
 - The application fee is either \$400 or \$850 depending on your estimated annual organizational budget size.
 - The review and IRS approval process can take anywhere between 6 months and 18 months.

Form 1023 Assistance

Below are trusted area providers who help groups complete IRS Form 1023. This list has been provided to assist you in filling out paperwork required to start a nonprofit organization. Community Resource Center (CRC) does not provide consulting services for any paperwork.

- [Legal Zoom](#)
- [Community Economic Development Clinic](#)
- [Ryan, Gunsauls & O'Donnell, P.C.](#)
- [Consultants for Good](#) (C4G) has an online database of nonprofit consultants with varying backgrounds and expertise. Create a free nonprofit account to access the C4G directory. Search by *category* 'Planning and Organizational Development' and *specialty* 'Starting a Nonprofit' to find additional consultants. You can also add language, location, and other demographic information to refine your search.



Nonprofit Sector Resources

Below is a list of useful resources that will help your organization better understand and work within the nonprofit sector.

Start-Up resources:

- [IRS Form 1023](#): This IRS page will help you determine which version of Form 1023 to file and provides instructions for each.
- [Help with IRS Form 1023](#): This CRC Start-Up Resources page has a list of links to organizations like the Community Economic Development Clinic and Legal Zoom, which provide support for completing IRS Form 1023.
- [Incorporate and register in Colorado](#): This Colorado Secretary of State page will allow you to incorporate within the State of Colorado and register as a soliciting charitable organization.
- [Colorado sales tax exemption](#): This Colorado Department of Revenue page will allow you to file for sales tax exemption.

Governance and Operations Resources

- [Principles and Practices for Nonprofit Excellence in Colorado](#): This guidebook, published by the Colorado Nonprofit Association, will help you ensure legal compliance, complete the Form 990, build capacity, and demonstrate transparency and accountability.
- [Colorado Secretary of State Board Education eLearning Course](#): This free online learning resource contains five modules for nonprofit board members, which cover fiduciary responsibilities, board governance, the IRS Form 990 and financial ratios, compliance and filing requirements, and personnel issues.
- [Colorado Nonprofit Development Center](#): CNDC provides financial and administrative expertise, services, and supports including fiscal sponsorship, to nonprofits across Colorado.
- [Community Resource Center](#): CRC's nonprofit start-up resources page includes additional resources to support you in the early stages of starting a nonprofit organization.



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